

# ASBJ Newsletter



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## 1. Overview of ASBJ Meetings (222th Meeting – 224th Meeting)

### (1) 222th Meeting (held on April 14, 2011)

- a. Progress of Lease Accounting Technical Committee
- b. Progress of the Technical Committee for Revenue Recognition
- c. Progress of the Technical Committee for Financial Instruments (Discussion on the IASB's Offsetting ED)

- a. An outline of the comments received on Discussion Paper on Accounting for Leases was presented. A large number of comments, which were submitted by preparers, users and auditors, indicate the high level of interests in this topic.

The discussion paper proposed a single right-of-use model for the accounting by lessees. While users generally supported the proposal because of the expected improvements in financial reporting, many respondents, particularly preparers, expressed their concerns about applying a single model to a variety of lease transactions.

Regarding the accounting by lessors, the discussion paper proposed a mixed model comprising the performance obligation approach and the derecognition approach. Many respondents supported the proposal and some requested further detailed guidance.

- b. An outline of the comments received on Discussion Paper on Revenue from Contracts with Customers was presented. Many respondents asked for consistency with current practices.
- c. An outline of the IASB/FASB exposure draft on offsetting financial assets and liabilities was provided, and the Board discussed its draft comments on the ED.

### (2) 223th Meeting (held on April 28, 2011)

- a. Progress of the Technical Committee for Financial Instruments (Fair Value Measurement)
- b. Discussion on intangible assets
- c. Progress of the Technical Committee for Business Combinations

- a. As a part of the ongoing discussion on Accounting Standard for Fair Value Measurement and Disclosures, the Board discussed issues relating to “highest and best use.”

Currently, the IASB and the FASB consider requiring that, when the highest and best use of an asset differs from its current use, that fact and the reason should be disclosed. In addition, they tentatively agreed that this disclosure should be required not only for the items measured at fair value but also for the items of which fair values are disclosed. The ASBJ is discussing whether to incorporate such requirements into the Japanese standard.

- b. Following the release of the report by the Panel on Non-consolidated Financial Statements, the

Board initiated discussion on capitalization of development costs.

The Board's discussion on this topic resumed with expression of the views of Board members about accounting notions for and against capitalization of development costs, consideration for convergence, and treatments in consolidated and non-consolidated statements. The Board members' views are divided both on whether to capitalize development costs and on whether to apply it to consolidated financial statements before applying to non-consolidated statements.

- c. Similarly in the discussion on development costs, the Board initiated discussion on amortization of goodwill, following the release of the report by the Panel on Non-consolidated Financial Statements. The Board members' views on the amortization are divided. One view is that amortization of goodwill would become unnecessary because it could be replaced with a combination of the comprehensive accounting standard for intangible assets, which is under consideration, and the adequate impairment testing. The other view is that the amortization should be retained from the viewpoint of matching costs with revenues and of the concern that non-amortization would in effect lead to recognition of internally generated goodwill.

(3) 224th Meeting (held on May 19, 2011)

- a. Progress of the Technical Committee for Business Combinations
- b. Discussion on intangible assets
- c. Progress of the Technical Committee for Financial Instruments (Classification and Measurement)

- a. The Board continued discussion about the amortization of goodwill. Like the previous meeting, much time was spent on hearing from the Board members. No specific direction has been determined yet and the Board members' views are divided between amortization and non-amortization.
- b. The Board continued to discuss the capitalization of development costs. At the previous meeting, most of the Board members supported applying the capitalization to consolidated financial statements before applying to non-consolidated ones.

Following that discussion, the Board discussed additional issues, such as whether to allow an option to capitalize development costs, whether to require additional disclosures in the non-consolidated statements, and how to treat the companies that do not prepare consolidated financial statements.

- c. An outline of the comments received on Issue Paper on improvements of Accounting Standard for Financial Instruments (Classification and Measurement of Financial Liabilities) which was issued in August 2010. The Board then discussed how to address those comments.

## 2. ASBJ's Comments on the Documents Issued by the IASB and FASB (April 1, 2011 – May 31, 2011)

- (1) ASBJ submitted its [Comments on the IASB Supplementary Document "Financial Instruments: Impairment"](#) (April 1, 2011)
- (2) ASBJ submitted its [Comments on the FASB Discussion Paper Selected Issues about Hedge Accounting](#) (April 25, 2011)
- (3) ASBJ submitted its [Comments on the IASB Exposure Draft "Offsetting Financial Assets and Financial Liabilities"](#) (April 28, 2011)

## 3. IFRS Foundation appointed Mr. Kazuo Yuasa as a member of the IFRS Interpretations Committee

On June 3, 2011, the Trustees of the International Financial Reporting Standards (IFRS) Foundation, the oversight body of the International Accounting Standards Board (IASB), announced the appointment of Kazuo Yuasa (General Manager, IFRS Office, Corporate Finance Unit, Fujitsu Limited) as a member of the IFRS Interpretations Committee. Mr. Yuasa has been appointed to replace Takatsugu Ochi, who has been appointed as a member of the IASB from July 1, 2011. His appointment is initially for one year, being the remaining period of Mr. Ochi's term as a member of the Interpretations Committee.

## 4. ASBJ Chairman Ikuo Nishikawa Attended the 5<sup>th</sup> IFRS Regional Policy Forum

The 5th IFRS Regional Policy Forum was held on May 23-24, 2011, in Bali, Indonesia. This year, the forum was themed on the challenges and opportunities relating to adoption and convergence of IFRSs in the Asian-Oceanian region. Representatives from accounting standards setters, regulators, auditors and others exchanged their views on those issues.

The forum was hosted by the Indonesian Institute of Accountants (IAI), and over 300 attendants from 21 jurisdictions gathered at the event. The IASB Chairman, Sir David Tweedie and IASB Members, Warren McGregor and Tatsumi Yamada, along with the IFRS Foundation Trustee Jeffrey Lucy, also attended the forum. The ASBJ/FASF was represented by ASBJ Chairman Ikuo Nishikawa, Vice Chairman Atushi Kato and two staff members.

After the opening speeches made by Vice President Boediono of Indonesia and other guest speakers, IASB Board Member Tatsumi Yamada and Warren McGregor updated the progress of the projects on revenue recognition, leases, financial instruments and insurance contracts.

And then presentations were made on the role of accounting standard setters relating to the challenges and opportunities of IFRS adoption and convergence. ASBJ Chairman Ikuo Nishikawa spoke about the challenges the ASBJ faces, and IASB Chairman Sir David Tweedie, and representatives from accounting standard setters including Indonesia, Korea and India, also presented their own issues. Following these presentations, views were exchanged about the challenges each jurisdiction faces and the importance of preparation and enhanced capacity for the future IFRS implementation.

Day 2 of the forum contained four panel sessions as well as a session on an update on IFRS Foundation Strategy Review. The first panel session focused on IFRS implementation from regulators' perspective. Mr. Takashi Nagaoka, Director for International Accounting, Financial Services Agency of Japan, presented the challenges relating to IFRS implementation. Other panel sessions included presentations on the challenges and opportunities relating to application of IFRS, from the perspectives of private-sector companies, tax authorities and audit firms.

At the end of the forum, IFRS Foundation Trustee Jeffrey Lucy and IFRS Foundation Chief Operating Officer Tom Seidenstein spoke about the status of the Foundation's Strategy Review, followed by Q&As and exchanges of views with forum participants.

At this forum, participants agreed to continue to seek adoption of or convergence with IFRSs and to aim to achieve one set of high quality global accounting standards. Participants also reaffirmed the importance of the jurisdictions in the Asian-Oceanian region to cooperate and deliver inputs to the IASB, through the Asian-Oceanian Standard-Setters Group (AOSSG).

The next forum will be held in Malaysia in 2012.

## **5. The Asian-Oceanian Standard-Setters Group (AOSSG) Held Interim Meeting**

On May 25, 2011, the day after the 5th IFRS Regional Policy Forum held in Bali, Indonesia, the AOSSG held its interim meeting. The meeting was attended by thirty representatives from 13 member jurisdictions, as well as IASB Chairman, Sir David Tweedie and IASB Members, Warren McGregor and Tatsumi Yamada. From the ASBJ/FASF, ASBJ Chairman Ikuo Nishikawa, Vice Chairman Atushi Kato and two staff members attended the meeting.

The morning session included the IASB's presentation on its project progress, and the AOSSG members and the IASB members exchanged views on the future cooperation between the AOSSG and the IASB as well as technical issues on Financial Instruments, Lease Accounting, Revenue Recognition, Islamic Finance and Agriculture. After the discussions, the AOSSG presented gifts to IASB Chairman Tweedie and the two Board Members, all of whom will leave their office at the end of June 2011, to show gratitude for their contributions to the engagement in accounting standard-setting over the past 10 years.

The afternoon session was attended only by the AOSSG members. Views were exchanged on several topics including the document about the AOSSG's future activities ([Vision Paper](#)) to be issued in June 2011, comments on the IFRS Foundation Strategy Review, the AOSSG's future projects, and the agenda for the third annual meeting to be held in Melbourne, Australia, in November 2011. The members agreed to hold the next meeting in September 2011.

## 6. IFRS Foundation Monitoring Board Held Round Table Meeting on the Governance Reform in Tokyo

The IFRS Foundation Monitoring Board has held a series of round table meeting in Asia (in Japan and Malaysia), Europe and the United States during the comment period on *Consultative Report on the Review of the IFRS Foundation's Governance*, which it issued on February 7, 2011, to enable market constituents across the world to be involved more in the Monitoring Board's governance reform.

The Financial Services Agency of Japan hosted the Tokyo session, and the meeting took place in the FASF conference room on March 24, 2011. Due to the Great East Japan Earthquake on March 11, 2011, persons scheduled to attend from China, South Korea, Taiwan and other countries were absent and only twenty Japanese people, including users, preparers, auditors and standard-setters, attended this session. The attendants expressed their own views on seventeen questions set out in the consultative report.

The FASF's comment letter basically supported the current three-tiered governance structure, but disagreed with drastic expansion of the Monitoring Board' membership and role.

The FASF's comment letter submitted to the Monitoring Board is available via the IOSCO website. [http://www.iosco.org/monitoring\\_board/](http://www.iosco.org/monitoring_board/)

## 7. The 13<sup>th</sup> Joint Meeting with the IASB, and Announcement of the achievements under the Tokyo Agreement and future plans for closer co-operation between IASB and ASBJ

Led by ASBJ Chairman Ikuo Nishikawa and IASB Chairman Sir David Tweedie, the ASBJ and the IASB held their 13th joint meeting in Tokyo on 6 and 7 June 2011 to facilitate convergence with IFRS in Japan as well as to discuss readiness for IFRS implementation.

At the meeting, the representatives of the boards also discussed the remaining MoU projects between the IASB and the US Financial Accounting Standards Board (FASB), including revenue recognition, leases, financial instruments, as well as the project on insurance contracts. They also discussed interpretation and practical issues relating to the voluntary application of IFRS in Japan.

IASB Chairman Sir David Tweedie and ASBJ Chairman Ikuo Nishikawa expressed their belief that their Boards' work for the convergence of their standards was an important step on the path towards Japan's possible adoption of IFRS and agreed on the need for the Boards to establish a closer relationship. As a result of the meeting, the Boards released "[IASB and ASBJ announce their achievements under the Tokyo Agreement and their plans for closer co-operation](#)" to identify the achievement under the Tokyo Agreement and to seek the further close relationship.

As Sir David Tweedie and two other members of the IASB, Warren McGregor and Tatsumi Yamada, will end their term of duty in June 2011, Ian Mackintosh, Vice chairman-elect of the IASB, and Takatsugu (Tak) Ochi, Member-elect of the IASB, also took part in the meeting to help to maintain the close relationship between the IASB and the ASBJ.

## 8. IFRS Foundation Held Round Table Meeting on the Strategy Review in Tokyo

The Trustees of the IFRS Foundation, which are discussing the strategy of the IFRS Foundation for their second decade following their successful first decade, issued on April 28, 2011 a report summarizing the comments received on its strategic review by the deadline of February 2011.

The IFRS Foundation held a series of round-table meetings on the report at four locations in various parts of the world. On June 7, 2011, a meeting took place at the FASF conference room, and it was broadcasted live via the IFRS Foundation webcast.

Due to the large number of participants, the Tokyo meeting was divided into two sessions. Twenty-four market constituents with various backgrounds, including one from Singapore, attended the meeting to deliver a variety of views to the IFRS Foundation. From the IFRS Foundation, Tsuguoki (Aki) Fujinuma and Robert Gauber (Vice-Chair of the Trustees), Noriaki Shimazaki and Jeffrey Lucy (Trustees), along with Ian Mckintosh (Vice-chairman-elect of the IASB) and Tom Seidenstein (Chief Operating Officer), joined the meeting of intense discussions.

Similar round table meetings were subsequently held in Hong Kong, New York and London. Taking into consideration public comments received on the review, the Trustees will issue the final document, while coordinating the views from the Monitoring Board's governance reform.

## 9. FASF President Toshitaka Hagiwara, along with IFRS Foundation Trustee Noriaki Shimazaki, ASBJ Vice-Chairman Atsushi Kato, visited Executive Leaders in Accounting in China

FASF President Toshitaka Hagiwara, along with IFRS Foundation Trustee Noriaki Shimazaki, ASBJ Vice-Chairman Atsushi Kato, visited Beijing, China on June 1-2, 2011 to meet Vice Minister Wang Jun of Ministry of Finance People's Republic of China, and other executive leaders in accounting

fields in China.

The objective of the visit was mainly (1) to discuss how to utilize the liaison office in Tokyo, (2) to enhance cooperation between China and Japan in leading the Aisan-Oceanian region as the importance of the region increases, and (3) to update on the recent developments relating to IFRS implementation in both countries. In addition, FASF President Hagiwara expressed his appreciation of China's warm supports in relation to the Great East Japan Earthquake, such as the visit to Japan by Prime Minister Wen Jiabao. In reply, Chinese representatives conveyed the warm message regarding their belief in Japan's recovery.

In addition to Ministry of Finance, the Japanese delegates visited Chinese Institute of Certified Public Accountants and Deloitte Touche Tohmatsu as well. The dialogues helped the Japanese delegates to have better understanding of various aspects in accounting practices as well as of the development within China in moving toward full convergence with IFRS.

Chinese representatives expressed their expectation about the increasing roles of the Asian-Oceanian region in the future development of IFRS. From the viewpoint, they were of great interests in the liaison office and the AOSSG's activities and assured their full supports and cooperation, noting the need for the enhanced cooperation between China and Japan.

## 10. Release of the Report by the Panel on the Non-consolidated Financial Statements

[The Panel on Non-consolidated Financial Statements](#) (the Panel) established within the FASF issued the report on "The Panel on Non-consolidated Financial Statements (April 2011)".

In relation to the approach of "advance application to consolidated financial statements" suggested by the Business Accounting Council, the Panel was established to provide inputs to the FASF in considering the measures for functional enhancement of standard setting on this issue by the ASBJ, while taking account of ensuring the ASBJ's independence at the same time. The Panel was designed to consolidate views on how to address the convergence for non-consolidated financial statements in the near-term and how to address individual accounting standards.



In its report, the Panel's views on development costs, goodwill, retirement benefits (step 1) and comprehensive income were presented. ASBJ will make final judgments on setting accounting standards for these areas, taking adequate consideration of the views provided in the Panel.

## 11. FASF Board of Directors Meeting and Board of Councillors Meeting

On May 26, 2011, the FASF held the Board of Directors Meeting.

The Board of Directors deliberated proposed Business Report for the 11<sup>th</sup> period and proposed Financial Accounts for the 11<sup>th</sup> period, as well as Appointments of Council Members and Chairman. As a result, Mr. Kunio Nozaki, Managing Executive Officer, Sumitomo Chemical Co.,Ltd., was appointed as the new chairman of the Standards Advisory Council.

(The full list of Members of Standards Advisory Council is available on the website)

[https://www.asb.or.jp/asb/asb\\_e/standards\\_advisory/member/](https://www.asb.or.jp/asb/asb_e/standards_advisory/member/)

In addition, the Board of Councillors Meeting was held on June 3, 2011.

The Board of Councillors deliberated Retirements and Appointments of Councillors and Appointments of Directors and Auditors. The resulting retirements and appointments are shown as follows: (Note: new appointments are underlined)

### 1. Board of Councillors Member Retirement and Appointment

(1) Retiring Member (to be retired on June 3, 2011)

Noriaki Shimazaki	Special Adviser, Sumitomo Corporation
Katsutoshi Chikudate	Standing Auditor, Chairman of Board of Auditors, Tokyo Electric Power Company

(2) Elected Members (to take office on June 4, 2011)

Joji Okada	Executive Managing Officer, Chief Financial Officer, Mitsui & Co., Ltd.
Yoshiaki Nishimura	President, Tokai Rubber Industries, Ltd.

## 2. Board of Directors Member Appointment

### (1) Retiring Member (to be retired on June 3, 2011)

Toshizo Tanaka	Executive Vice President, Canon Inc.
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### (2) Elected Members (to take office on June 4, 2011)

Gen Ikegami	Deputy President, The Japanese Institute of Certified Public Accountants
Hidemi Ijichi	Executive Officer, Japan Securities Dealers Association
Hiroyuki Iwakuma	Senior Executive Vice President & COO, Tokyo Stock Exchange Group, Inc.
Shinsaku Iwahara	Professor of Law, The University of Tokyo, Graduate Schools for Law and Politics
Hideyo Uchiyama	Managing Partner, KPMG AZSA LLC
Muneharu Otsuka	Professor, School of Commerce, Waseda University
Akiyoshi Oba	President& CEO, Tokio Marine Asset Management Co., Ltd.
Yujiro Kawamoto	Director, Executive Vice President, Mitsubishi Heavy Industries, Ltd.
<u>Keiko Kitamura</u>	<u>Professor of Faculty of Commerce, Chuo University</u>
<u>Masakazu Kubota</u>	<u>Senior Managing Director, Nippon Keidanren</u>
Hiroyuki Koizumi	Vice Chairman, The Life Insurance Association of Japan
<u>Noriaki Shimazaki</u>	<u>Special Adviser, Sumitomo Corporation</u>
Hideo Takahashi	Secretary General, Financial Accounting Standards Foundation
<u>Shinichi Taniguchi</u>	<u>Representative Director and Executive Vice President, Nippon Steel Corporation</u>
Yoshihiro Tokuga	Professor, Graduate School of Management, Kyoto University
Toshitaka Hagiwara	Councilor and Senior Adviser, Komatsu Ltd.
Katsuo Handa	Executive Director, the General Insurance Association of Japan
Tsutomu Miyagi	Managing Director, The Japan Chamber of Commerce and Industry

Shozo Yamazaki	Chairman and President, The Japanese Institute of Certified Public Accountants
Koshi Wada	Vice Chairman & Senior Executive Director, Japanese Bankers Association

### 3. Auditor Appointments

(1) Elected Members (to take office on June 4, 2011)

Mitsuru Komiyama	Deputy President, The Japanese Institute of Certified Public Accountants
Masaru Takei	Executive Vice President, Tokyo Electric Power Company

## 12. FASF Seminar on the “Guide to the Preparation of Quarterly Reports” (for the First Quarter ending June 30, 2011)



The FASF seminars on the “Guide to the Preparation of Quarterly Reports” (for the First Quarter ending June 30, 2011) were held, starting on June 6, 2011, in 9 cities for 11 sessions: Tokyo (3 sessions), Osaka, Nagoya, Fukuoka, Sapporo, Sendai, Kanazawa, Hiroshima, and Takamatsu. An ASBJ representative also presented an update on “ASBJ’s Recent Activities” at the seminar.

The total number of seminar participants (approximately 4,000 participants) indicated high level of interest among constituents.

## 13. ASBJ/FASF Held Meeting with Chugoku Economic Federation to Exchange Views

The ASBJ and FASF hold a series of meetings for exchange of views to enhance communication with FASF member companies and accounting professionals located in the areas far from Tokyo.



These meetings aim to directly communicate with constituents, hear their requests as well as to provide them with the latest information, which may be difficult to fully understand from only the ASBJ website, newspapers and magazines. Such information includes the IASB's latest development and its background, and the details and prospects of ASBJ's standard developments. We consider these activities meaningful in enhancing the understanding of the ASBJ's role in developing Japanese accounting standards and in supporting the preparation for implementation of IFRSs.

The latest meeting (exchange of views/seminar) took place in Hiroshima on June 10, 2011, with more than 120 attendants from the Chugoku Economic Federation.

After the opening remarks to express our gratitude for continuous supports to the FASF, ASBJ Full-time Board Member Yoshihiro Nomura discussed the ASBJ's recent activities.

We will continue to undertake initiatives such as this.

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